

psychological research on decision-making. They have certainly given me some ideas for experiments.

Alistair Munro*

*School of Economics, University of East Anglia
Norwich NR4 7TJ, UK*

*Tel.: +44 1603 593404

E-mail address: a.a.munro@uea.ac.uk

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Joseph C. Pitt, Djavad Salehi-Isfahani, Douglas W. Eckel (Eds.), *The Production and Diffusion of Public Choice Political Economy: Reflections on the VPI Center*, Blackwell Publishing, Malden, MA, 2004 (280 pp., includes index, Price US\$78.95).

The Center for the Study of Public Choice has been quite successful at generating and spreading ideas. James Buchanan, Gordon Tullock, and their colleagues challenged many core beliefs of economists and political scientists who viewed government as benign force in the economy, and they ended up spawning a new field of study. Now it is not considered radical to apply economic analysis to government itself. How could such a small group of people get this idea out to so many people, and how was the atmosphere that fostered this study? *The Production and Diffusion of Public Choice Political Economy* attempts to answer these questions.

This edited volume reprints papers from a 2000 conference which were published in a special issue of *The American Journal of Economics and Sociology*. The proceedings celebrate the success of public choice and the 14 years the Center for the Study of Public Choice was at Virginia Polytechnic Institute (VPI). The book contains eight full chapters and seven shorter comments by various academics, most of whom were associated with public choice in the 1970s. Buchanan (pp. 263–264) summarizes the work: “The set of papers has two purposes. First, it is a retrospective celebration-evaluation of a research team that happened in Blacksburg in the 1970s. Second, it is also an attempt to use this effort and its results as an exemplar of how new ideas and paradigms enter scientific discourse and become diffused over the wider scientific community.”

The volume will be of interest to those interested in history of thought or public choice. Some of the papers focus on the history of the Center, some present new ideas on public choice, and others offer hypotheses about how knowledge is spread, so depending on one’s preferences, readers may not find every chapter of interest. But the volume does contain a lot of interesting tidbits about how an intellectual movement can be successful. The Center for the Study of Public Choice showed that the highest ranked economics departments are not always the most innovative. By taking a skeptical and often irreverent view of establishment thinking, these economists were able to address whole sets of questions that others ignored.

Consider their edited volumes *Explorations in the Theory of Anarchy* and *Further Explorations in the Theory of Anarchy* (Tullock, 1972, 1974). Few others would have addressed the topic at the time, but the public choice economists “saw challenge in analyzing just what genuine anarchy would look like” (p. 267). In his chapter, Buchanan describes how Winston Bush got them interested in studying a stateless society: “Before we knew it, we were all working on anarchy, and he had organized the most exciting continuing seminar in which I have been associated, before or since” (p. 267). They were all pessimistic about whether order is possible without government, but in the current volume Buchanan actually questions whether all of their pessimistic assumptions about human behavior were warranted. Buchanan writes that the pessimistic assumptions “led us to neglect at the time any effort to work out what the alternative of ordered anarchy would look like. What would be the results if persons should behave so as to internalize all of the relevant externalities in their dealings among themselves?” Buchanan does not answer these questions here, but today numerous economists are addressing questions first brought up at the Center for the Study of Public Choice.¹

The public choice economists could have chosen to study the politically popular topics of the day, but instead they chose to ask bigger questions. In his chapter, Richard McKenzie (p. 22) argues that “deviance in academics is underrated.” He believes that too many other departments are satisfied defending the status quo but that leaves room for others to challenge the entire system. Philosopher Loren Lomasky describes that when he joined the Center, his most basic ideas were questioned by the likes of Tullock: “He did not hesitate to declare that moral philosophers and their theories are worthless, and indeed of negative value” (p. 194). But Lomasky knew Tullock’s arguments were good natured; one might disagree about ideas but recognize the importance of debate. Brennan’s chapter describes how people were always available to chat and discuss ideas with those around them. Brennan writes that the physical settings of the building, as well as observation of Buchanan’s work ethic, seemed to foster an atmosphere where people wanted to do research.

Other centers wishing to advance knowledge would do well to copy many of the sociological aspects of the Center for the Study of Public Choice. Of course having two extremely productive scholars such as Buchanan and Tullock helps, but as Richard Wagner (p. 67) recognizes one should “assess how institutional and organizational features might have promoted or hindered the resulting cosmic significance of their scholarly activities.” A value of the book is that it can be viewed as a possible recipe for others to follow. This might be asking too much for a celebratory book but it would have been helpful to hear of any mistakes that could be avoided. For example, there is little discussion of why the Center left VPI, and curiously the editors, all of whom are from VPI, refer the current location at George Mason University as if it were in the past. They describe the current time period as, “the period which the Center was housed at George Mason” (p. 11). But this is only a quibble.

Luckily the Center lives on, and one can hope that it continues to innovate as it did in the past. What are the new research frontiers and who will be the new innovators? Perhaps

¹ For example, Sutter (1995) and Holcombe (2004) advance many of the ideas in *Explorations in the Theory of Anarchy* and *Further Explorations in the Theory of Anarchy*, and the forthcoming book *Anarchy, State, and Public Choice* revisits these issues as well (Stringham, 2005).

the envelope can be pushed farther. Many economists get caught up in narrow thinking about current policy or academic debates of little relevance. The public choice economists avoided these pitfalls and we can be thankful for that.

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Edward P. Stringham
San Jose State University, San Jose, CA 95192, USA
 Tel.: +1 408 924 5419; fax: +1 408 924 5406
E-mail address: edward.stringham@sjsu.edu

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Alan Manning, *Monopsony in Motion: Imperfect Competition in Labour Markets*, Princeton University Press, Princeton and Oxford, 2003 (401+10 pages), index.

It is difficult to reconcile many of the empirical regularities found in actual labour markets with the predictions of the standard competitive model—a framework which has and continues to dominate the academic literature. More precisely, empirical studies that have examined such issues as the impact of a minimum wages, employer size, returns to tenure, etc., on wages find results that appear to be at odds with models that assume that in the labour market firms are price takers. For example, despite better econometric techniques and better data, the issue of why large employers pay more (contrary to what the perfectly competitive model would predict) still cries out for a more satisfactory answer than the usual ‘unobserved’ employer and/or employee differences. Alan Manning’s book *Monopsony in Motion* provides an interesting solution to these sorts of discrepancies by arguing that the simple answer may be that firms have some market power, in other words, firms in the real world are likely to be monopsonists rather than price takers. Why else, as the author eloquently points out in the introduction and reiterates in the conclusion, do small cuts in wages by an employer generally not cause all his/her employees to leave as the perfectly competitive model would predict?

The traditional view in most, at least basic level, texts on labour economics is that the idea of a monopsonist firm is not realistic and/or not relevant. For example, few would disagree